EPISODE TRANSCRIPT

From UBS to Oppenheimer to Independence: A Next Gen Shares His Playbook for 2x+ Growth

A conversation with Dan Katz, Managing Partner, Revolve Wealth Partners.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is From UBS to Oppenheimer to Independence: A Next Gen Shares His Playbook for More Than 2X Growth. It's a conversation with Dan Katz, Managing Partner, Revolve Wealth Partners. I'm Mindy Diamond, and this is Mindy Diamond on Independence.

Mindy Diamond:

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Mindy Diamond:

No doubt, I have a soft spot for a great family business story. There's much to be said for building something so extraordinary that it can be passed on to the next generation. And it's that ability to weave together the different experiences, perspectives, and skillsets that each generation brings to the table, the aggregate of which translates to innovation and continuity for the clients and business owners alike. That is what a real legacy is made of. We've spoken to several multi-generational wealth management teams on this series. And while each one has a unique story to share, we are seeing a few common threads. First, there's the desire to evolve what the prior generation has created, to take what exists and make it better and stronger. And second, the notion of looking bigger picture and longer term, that is questioning the status quo to determine if it aligns with their vision for the future.

Mindy Diamond:

For example, Dan Katz was the next gen of a five-person team which included his father and friend, Michael Israel, at Oppenheimer. Together, they built the business to some 300 million in assets under management. It was a business that started with Dan's father, Kenneth Katz in the seventies, which later transitioned to UBS and grew to include Dan and Michael. In 2009, they moved on to Oppenheimer. Over time, as the business evolved, so did their thinking. It was in conversations with their wirehouse peers that they started to recognize an incongruency between how Ken, Dan, and Michael managed their practice versus the other teams. Essentially, he felt they were playing a different game.

Mindy Diamond:

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So they set out on a quest to explore their options. And in 2017, that exploration led them to building RIA firm Revolve Wealth Partners. Today, the Hackensack, New Jersey firm manages over 700 million in assets. In this episode, Dan shares his story with Louis Diamond. He discusses the value of a multi-generational team and how his father's experiences helped them advance toward the next phase of their business. Dan shares how his independent business owners, he and Michael, are able to realize their vision and answer their clients' needs in ways they couldn't at Oppenheimer, and how in evolving Ken's legacy, they were able to double their assets under management since their launch, and much more. So let's get to it.

Louis Diamond:

Dan, thanks so much for joining us today.

Dan Katz:

Thanks, Louis. Appreciate you having me.

Louis Diamond:

Absolutely. Why don't you tell us about yourself and how you came into the business?

Dan Katz:

Sure. So I'm fortunate enough to be a second generation in the wealth management business. My dad started a practice back in the late seventies, and then I joined him in the early 2000s, and I've been here ever since.

Louis Diamond:

Amazing. Family business, we'll definitely have to catch up on that offline and have a question for you in a little bit about those dynamics. So what did the practice look like at Oppenheimer, let's say, right before you decided to leave in terms of assets, number of team members, the typical client, et cetera?

Dan Katz:

Sure. Yeah, we'll definitely have a lot to catch up on with the second gen. But our business when we were at Oppenheimer was made of five team members. We probably had just under 300 million of assets under management, and we really operated in a financial planning methodology at that firm.

Louis Diamond:

Got it. And Oppenheimer, I think you're the first guest we've had from the firm. Can you just describe what was the value proposition of Oppenheimer? It's not necessarily a wirehouse, but it's certainly a pretty significant firm. So can you explain just what the firm was like and how come your father was practicing at Oppenheimer?

Dan Katz:

Yeah, so in 2009, we left UBS. At the time we felt we needed to be at a place that was not a banking institution. And so, when we were looking for a new home for our clients and our business, we landed on Oppenheimer in 2009. Oppenheimer very much treated us like a true partnership. Even though there was a senior member and two junior members of the team, they treated us really as one team, and that was very much what we were looking for. It created an opportunity for us to be entrepreneurial, to some extent, within an organization, but not be encumbered by these massive huge wirehouses.

Louis Diamond:

Right. We talk often about how independence is oftentimes it's a school of thought. To some, independence might be being an employee of Oppenheimer, for others, it's building an RIA from scratch. So it sounded like you were able to flex some of your entrepreneurial muscles, but obviously, which we'll get to in this interview, not to the extent that you required in order to serve clients to the vision that you and your partners had. Is that accurate?

Dan Katz:

That's exactly correct. We've learned now how limiting that platform was, and so we're so happy we made the move.

Louis Diamond:

Perfect. Let's come back to your father, Ken. So you joined him in the early 2000s, you mentioned, made the move together from UBS to Oppenheimer. Can you talk about your succession planning process? So at what point did your father start phasing out and any just, I guess, words of wisdom for the audience on how to have an effective transition to the next generation?

Dan Katz:

Yeah, that's a great question. I think we've done a really great job in transitioning my dad's practice and having the clients understand what the next generation was going to bring to the table. But it's a question I hear all the time, and luckily I'm in a position where some folks have asked me, "Hey, how'd you do it? What worked?" And there's obviously so many stories about second generation and then, even worse, third generation businesses that just fail. And really, I think it comes down to an equal balance of pushing and pulling. My dad recognized early on that he had to push the business towards the next gen as much as the younger folks were pulling it from him. And so, we found that symbiotic relationship really in our transition from UBS to Oppenheimer, and then we continued to just plug away at transitioning how we look at the business, how we think about the business, who our clients are talking to and communicating with. And then when my dad eventually retired, it really didn't feel like there was no Band-Aid pulled off. It felt a very natural transition, and clients never even asked a question.

Louis Diamond:

That's amazing. That's the way it should go. I mean, it sounds like, too, that you and your partner, Michael, to use your words, took the business into the next generation. What did that entail? Was the business going through a transformation maybe from an old school commission-based model to advisory, or was it a little bit different from that?

Dan Katz:

No, you nailed it. We really focused on that transition really around 2008 or so, transitioning clients from a traditional brokerage commission-based model into a financial planning and fee-based model. I've got to give credit to my partner, Mike Israel, he had financial planning from the day he joined the business. He said, "No client's going to work with me unless they do a plan." And those plans come in all different shapes and forms, but there has to be a program involved. There has to be thought behind what's coming next. And so, we really used that to help transition the business to the next gen. And to this day, everyone's coming in with a plan. It's not just, "Oh, give us your money. We'll go manage it, and we'll talk to you later."

Louis Diamond:

Right. Perfect. That's kind of what I expected from where I sit as, of course, a second generation individual as well. You're exactly right. It's about keeping what made the business special to begin with and, of course, taking care of legacy clients, but it's also figuring out what are the ways to make the business better. How can fresh blood or fresh perspective take the business to the next level as you move it to the next generation? So we definitely have a lot to catch up on. I'm curious, though, so Ken was in the business for a long time, had been in the traditional space forever, what was his reaction to the team wanting to go independent? And that'll be a good segue into some of your motivators for leaving in the first place, but I'm curious because we have a lot of G1 advisors that listen or team members, and oftentimes that's a difficult conversation to teach an old dog new tricks, if you will.

Dan Katz:

No question. There was plenty of tough conversations, it was not simple. I think the hardest thing for any advisor that's getting up there in experience, I chose those words wisely, I think they have to recognize that the business is evolving and changing, and it always will. We've been fortunate enough there. What's also interesting is that there's different skillsets, and then when you bring in the next generation or you bring in just a younger generation, they don't have quite the battle scars. So they're allowing the clients to make great decisions. They're asking those tough questions that those senior advisors, or eventually retiring advisors, had asked a while ago, didn't get the answer they wanted, and never went back again.

Louis Diamond:

Like what?

Dan Katz:

Great example was a transition to fee-based business. Now it seems, "Why would you ever do it another way?" in our opinion, sitting on the same side of the table as the client. But in 2003, in 2004, in 2005, that wasn't necessarily the conversation. Or introducing a client to having us sit down with their estate planning attorney or their accountant for strategy sessions. That just wasn't happening. Or the older advisor got shot down from a client that was too busy or whatever it might be. And so, the next generation can push a little bit more, can ask the question from a different voice, and clearly let the client make the decision, not let the advisors pre-existing thoughts really affect what the client should or shouldn't be doing. And so, that was really fun for us, to kind of go back and challenge ourselves to do more for each client, get more involved with their lives. And it was a really fun process for Michael and I working with my dad, and it also reengaged my dad. That was really fun to see as a son and as a next generation advisor.

Louis Diamond:

Very wise. It sounds like, I mean, your father, of course, had tons of love and trust in you, otherwise, he wouldn't turn over his life's work to you and Michael. But it seems like there's also a lot of trust that you had the best interest of the business at heart, and even though it might be different from the way he built it and your vision for the future might be different, that if you thought this was the right way forward, that he was supportive. Not every team has that dynamic, so it seems like you were lucky.

Dan Katz:

Well, we see it when we're advice multi-generational business owners as our clients, right? How many times have you seen a different makeup than what I just described and the business has no chance of success, right? You've got a son or daughter in the business that's not allowed to make decisions, or you've got a son and daughter who are making decisions and the older generation just doesn't want to fight with them, so they just go along with it, and there's no balance. So us younger generation folks, we want to push the envelope, we want to drive 100 miles an hour, but it's really, I think, the smart first generation advisor or business owner that says, "Hey, let's pump the brakes a little bit here. Let's explore this, and let's continue going down this path. And then if we have to deviate, we can, but let's not just go full forward. Let's just take it baby steps. But if it's the right move, then we'll definitely do it." And that was what my dad did. Michael and I were very lucky in that sense.

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Louis Diamond:

Right. Absolutely. So let's move now to, let's say, the period when you're still at Oppenheimer, you're just starting to think about looking around. What was it that motivated you and Michael and Ken to consider looking around in the first place? What were some of the push factors that motivated you to invest your valuable time in looking at alternatives?

Dan Katz:

That's a great question. I can literally to this day remember sitting at a table, it was Michael and myself and my dad. We were sitting at a table of eight or nine advisors at one of these, we'll call it wirehouse events. Everyone was talking about what they're doing in their practice and what's working and what's not working. And the three of us looked at each other really just trying to understand, these people were not even in the same business that we thought we were in. They weren't even doing the same thing. We left that meeting, and Michael says to us, "Hey, can we grab a bite after and really talk about what we just saw?" My dad and I at first were like, "Oh my goodness, is everything okay with Michael? Because that's not really his way." And so we sat down and he said to us, "Do you feel like everyone at that table was playing a different game?

Dan Katz:

And the answer was, yeah, they were not doing what we were doing. They were still focused on the upfront revenues and selling this and providing that. There was never a conversation of advice and what's important to the client and how do we do more. And so, from that point on, literally Michael and I set out on this quest of really understanding the space, really understanding all the different options out there to get into the space, how we're going to build it, what the pitfalls are. And that really kicked off our process. I remember the day extremely vividly. I remember the chair I was sitting at. And it was one of the best days, literally so far, best days of my life.

Louis Diamond:

That's amazing. There was a feeling of incongruency where you felt like, you said, you were playing a different game than others. So I'm wondering, though, I mean, you're running your own practice, of course you want to your peer group to be right. But what was it then that really mattered to you about playing a different game than some of your other top achieving peers within Oppenheimer? Was there things that you weren't able to do at Oppenheimer? Or what was it, because I would think that it had to be more about community that led you to be motivated in the first place?

Dan Katz:

Yeah. You said it right. I will say every path that we've taken, Michael and I and my dad, had led us to the next path. So we have no regrets of where we were, where we came from. I will say this though, we very much recognized that for us to really succeed in this business we had to do 10 times more than our, we'll call it, competitors for the same price. And I think that's where the industry's going, is we're going to continue to do more, and we're excited for it. Clients are going to rely on us more and at the same price. And so, at Oppenheimer, it very much felt like the planning tools, the tech stack, how we could approach the delivery of our services to our clients was not where we thought it should be. On their defense, they're trying to cater to thousands of advisors. We wanted to build a practice that catered to our couple hundred clients and their families, right?

Dan Katz:

So we don't do penny stocks. I don't need a penny stock platform. Why would I have one? I don't need one. Moving on, moving on, clients want a top-notch digital experience to view their assets online. We should deliver it to them. One thing I say to this day is we give our clients the quality access to look at their own portfolio that all the wirehouse advisors only have internally. Why water it down for the client? It's their money, let them see it. And so that's how we built the firm and what we knew we had to differentiate ourselves with.

Louis Diamond:

That's a great answer. So it's a mix of you had a vision for the future that was divergent from what you could accomplish internally, but there were some underlying frustrations with how you wanted to serve clients and how you're going to be able to differentiate yourself into the future. So I love that. You had a very clear vision of where you wanted to go.

Louis Diamond:

Let's now talk about the transition and the due diligence process. You launched Revolve Wealth Partners in Hackensack, New Jersey in April of 2017 with about 300 million in client assets. Can you walk us through your thought process for how going independent even came on your radar? Because I would assume you could have gotten a really nice offer from another wirehouse or any multitude of firms that were paying a lot of money and probably would've made the transition a little bit easier because you didn't have to build everything from scratch. So can you just walk us through how going independent was put on your radar, and then what was the process like?

Dan Katz:

Yeah, so I'll give all the credit to Michael on that. That was a vision he had for many, many years. It didn't take a lot of convincing for me, but it was definitely his vision. He recognized he wanted to be the business owner, make the decisions, work with me to make sure we've got as much culture as we can create in our firm and have it relate all the way back to our clientele.

Dan Katz:

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I think the diligence process for us was we wanted to learn as much as we could in a short period of time as we could. But we were more focused on, "Let's avoid the really big mistakes." And so, when someone said to us, "Hey, go reach out to 40 of my clients that have worked with this particular provider or that provider," Mike and I didn't call two or three, we called all 40. When we looked at a tech stack, when we looked at a portfolio reporting tool, we did not three meetings or two meetings, we did five. We recognized that we were in a position where we were not receiving a check on exit, we were writing the checks on exit. And we were going to put a lot of money, a ton of sweat, equity, tears, late nights into this, and we wanted to make it as right as possible. So the only way for us to really do the proper diligence was we take our time, we try to uncover every stone, and that's exactly what we did. So it took us over two years to really diligence all the different facets, but we really haven't made that many mistakes, at least none that we know of yet.

Louis Diamond:

I'm sure a lot of people are falling off their chairs when you said two years to really do the diligence. Do you think there were aspects that you could have cut out from your decision-making process? To fast forward to, I guess, where we are today, you and Michael decided to build the firm yourself. You did not leverage a platform provider. Do you think your two-year runway before transit could have been shortened? I guess let's leave it at that. Do you think that process could be shortened anyway?

Dan Katz:

Absolutely. I think that process could be shortened. Of those two years, I think it took us a good six months to really commit to going independent versus going into quasi independent or to another firm, right? So that's really the first six months to say, okay, the next six months really took us to decide whether we were going to use a platform provider or a dynasty or a focus that type of outfit or we were going to go about it on our own. Once we committed to going at it on our own, we were just full head down, full steam ahead. We were really focused on looking at everything out there. I know now, again, it wasn't that long ago, but every year it just becomes easier and easier for firms to launch. At least that's what we've seen. I would say that, actual, if you know you're going independent, I think you can really cut that time down in to six to nine months and you can get going pretty easily.

Louis Diamond:

Yeah, that's normally what we see. Depending upon the size of the book and how much time and energy the team wants to commit to the process, 6 to 12 months from start to transition tends to be sufficient. But, of course, there's exceptions on both ends, some moving a lot quicker and some taking a very long time.

Louis Diamond:

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Can you talk about the process of building Revolve? This is pre resignation from Oppenheimer. What were some of the major milestones you had to make when building the RIA? So there's probably thousands of steps in your project plan, but from what you can recall, who were the key vendors or platforms you aligned with, and what were the major key decisions you made throughout the process?

Dan Katz:

For us, we really wanted to isolate who our custodian was going to be, and it's really hard. I think that there's not a lot of differentiation in the quality of custodial services you can get, especially from the major three players. There's a ton of nuance. So when we decided to go with Schwab over Fidelity and Pershing, we really wanted to create a partnership, and we felt the folks at Schwab really helped us create that partnership. To this day, we're extremely happy with the relationship. We're getting exactly what we need from them. They've been great partners for us. And as we've said to most of our vendors, you've helped us pursue our dreams, and so we're grateful, very much so, of those partners.

Dan Katz:

And then from there we leveraged their experience, their knowledge. We recognized who played really nicely in their sandbox and tried to build out the technology platform, the legal platform, all those other components that really rely on the custodial relationship, the investment managers, the portfolio managers, the different investment vehicles, et cetera, et cetera. So from there, literally the dominoes started to fall into place. So we picked our custodian. We obviously already had our legal representation in place, and then just one after another, "Okay, this piece of the tech stack, check. This piece of the tech stack, check. Marketing, online experience, et cetera, et cetera," and just went from there. So we were very happy with choosing the custodian first and then let all the other pieces happen after that.

Louis Diamond:

Yep, I agree. When we're guiding teams along a similar process, for those that are launching their own RIA directly with the custodian, I think picking the custodian is the right first step. Because, to your point, everything else kind of fits in with the custodian, and the custodians, whichever one you choose, have incredible resources to help advisors build the business. So thank you for sharing that.

Louis Diamond:

I'm curious because many folks we've had on this show and just across the industry, they will leverage a platform provider. Some of the names you said, Dynasty, Focus, there is Sanctuary, there's LPL, there's hundreds these days, and one of the advertised benefits of those platforms is they'll take a lot of the heavy lifting and the implementation of your transition plan, they'll take that off your plate. What's your thoughts on that? I'm not asking you to comment on the merits of those platforms, because you didn't work with them, but how much of the implementation and the heavy lift was on your shoulders versus what you would imagine it would've been like through one of these platform providers?

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Dan Katz:

I think every advisor and advisor team is different. I think there's some true operators out there that really have that bug of managing a business, and I think there's great practitioners or planners out there that don't necessarily connect to that type of work. So I think the fact that there's so many providers out there that will assist the non, we'll call it, business-oriented advisor, who's a fantastic advisor, he or she delivers better work than many folks out there, but they just don't have that business sense. The fact that these platforms are out there, I think is incredible.

Dan Katz:

A quick aside, when we were at a wirehouse, it felt like the person next to you was in competition with you. Being in the RIA space, everyone's in it together. Everyone's really sharing ideas. When we go to conferences with other RIAs, it's collaborative. We all recognize there's enough clients to go around. Let's just do great work. Let's continue to build this industry with smarter and smarter people, right? Let's do great things for clients.

Dan Katz:

To go back, we felt that we were young enough, we were business-oriented enough that we would be remiss if we didn't get so far into the details to really understand what was under the hood. In addition to that, we have so many business owner clients that recognize that they've taken that entrepreneurial step or the risk associated with it, and we felt very much that as we launched, we needed to take that step. We felt that if we didn't, we would've looked back and wished we tried to do it on our own. Again, we always felt that the safety and security of our client assets was never at risk. It was more of how are we going to operate the business, and who's going to be looking over our shoulder? We felt if we didn't do it and didn't do it, then we would never do it. So it felt very natural for us to take on the heavy lift, uncover every stone, really do the diligence so that I can sit there on transition day and there's no question a client asked that I don't know about, and that felt really good for us.

Louis Diamond:

That's a really good answer. So you knew yourselves, you knew your strengths and weaknesses, and you thought actually that it would be a competitive advantage for the transition that you were sowing the weeds beforehand, that you really knew the ins and outs of the business and probably seemed like you were operating an RIA for many years. That's the first time I've heard that, and I think it's really smart.

Dan Katz:

When we were transitioning our clients, this is a great story, Louis, Michael and I would spend nights putting together proposals and paperwork, not relying on the administrative crew or the operation staff to assist with that. Because when the client called with a quest about a document we sent them, we've got to be there to give the answer. And so, there's nothing better than confidence to know that all the way from the bottom to all the way to the top you know exactly what you're trying to deliver to your client. You've seen it, right? And the client ask the question, you can answer it. And that's really something Michael and I have always prided ourselves on, is the fact that there's no job too small. All of our employees really recognize that, that if we see a piece of paper on the ground, we're the ones picking it up. If the floor in the office needs mopping, we're going to mop it. And I think that's really important both from a business owner and then also just how you work with clients. That's kind of what we do with our clients too, is we try to look at everything, go as broad and deep as we can.

Louis Diamond:

Yeah, that's a great answer, and I think you're just validating your decision to be a do-it-yourselfer, is no job's too small and you're willing and comfortable and excited about getting your hands dirty. So let me ask a question, with a little bit of hindsight, what was something in the transition process or when you're bringing clients over that you wish you did differently? I'll give you a couple of hints. Sometimes advisors talk about securities back lending and they wish they knew the process better for when that moved. Or some people talk about how alternative investments flow. What was your do-over, if you will?

Dan Katz:

Of course we made some mistakes, of course there was more friction for certain instances than other, but I don't know if I would be happy if I didn't have that friction, because going through that, getting into the weeds with our custodial partners, our legal team, if I didn't go through that, then I wouldn't be in a position that I'm in now both to operate the firm and then to grow the firm. I think in hindsight, yeah, there were some silly things that we wish we had foresight in, but I don't think our spouses would allow us to have worked any more on this in the wee hours of the night for us to try to keep going and to try to avoid some of those minuscule items. I don't think there's anything that comes to mind that was so dramatic that we wish we did differently. I guess maybe here's one, I guess, we would've locked in our lease on our office space sooner so we didn't have to launch in an alternative space in an all-purple room on the third floor of a building in which watching them build our 10th floor suite. That was pretty fun. But I guess Bezos did it on a sideways door, we could do it in a purple room, right?

Louis Diamond:

There you go. Words to live by. Awesome. You've mentioned a couple times this interview Michael Israel, your partner. I'm curious about what the relation is like and how you share responsibilities, because every great team has a delineation of duties that allows each of you to excel in your own areas. How does that work with the two of you?

Dan Katz:

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Well, first of all, I'm so lucky and fortunate to have Michael as my partner, that's paramount. I'm lucky because not only is he my business partner, but also my best friend. And it really helps us navigate roles and responsibilities and operate the business. So when we initially started in the early 2000s, my dad put Michael and I in an eight by eight office, and he said, "You guys are going to stay in here until you have big enough business to get your own offices." And what he was hoping for was we'd come out with our own voice but the same message. And we did that.

Dan Katz:

So now at Revolve, what's been interesting is Mike and I play off each other so much and we think so well because a lot of his flaws are my strengths and a lot of my weaknesses are his strengths. We find ourselves really collaborating in decision making. But more importantly, we find ourselves trusting the other to make these decisions by themselves, right? Not everything needs both of us to look at it. Not everything needs a vote, so to speak. And that's been really critical for us to trust each other, recognize that we're doing what's in the best interest of the firm.

Dan Katz:

The other thing that Mike and I have really leaned on is two items. One is we have this saying, "Elma, enough, let's move on." We got to a point where we've just now tackled an issue, a strategy thought process for too long. Whoever says, "Enough, let's move on," we move on. It's not like, "Oh, let's move on, but one more thing." No, we move on. We pick it up the next day, the next week, whatever it might be.

Dan Katz:

The second thing is because we've worked with each other so long and the trust is there, we recognize that the minute a conversation or a confrontation starts to move into a emotion versus thought and perspective, the other one has recognize that and say, "Okay, we'll go with what you're saying." Because if we care enough to get our emotions involved, obviously, there's a ton of thought that went behind it. And so, Mike and I have really made conscious decisions, giving each other the ability to have their voice, to guide the firm.

Dan Katz:

With regards to your question, dividing roles and responsibilities, it's just fallen naturally for us, whether it be the tax work or the HR items or the trading or the investment management or the financial planning or the tax and the estate strategy, it just falls into place. And every day, and I hope he says this, every day, I'm mesmerized what he knows and what he brings to the table because there's things I'll never know that he knows. And so, I'm really fortunate to have him as a partner, as a friend, and just as a person in our firm. Lucky to have him at the helm.

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Louis Diamond:

That was such a powerful answer. I do hope he says something similar about you because that was very nice and, I think, extremely unique that you have a relationship like that where you don't need to have clear roles and responsibilities because you just trust one another. You go left, he goes right, and you know which way to go together. There's a lot of learnings in that from any team of advisors. I would probably guess if you didn't have that sort of relationship and trust that it was probably a different decision to go and build your own RIA, because of the amount of work and effort it took and the risk you were taking, if you didn't have as much trust and confidence in each other as you did, it would've been a different outcome.

Dan Katz:

Yeah. And truthfully, those days of us vetting different vendors prior to launch, we were presenting to each other. A great example was with regards to our portfolio management tool. It was on me to say, "Hey, let's go look at all the players in the space." Michael and I remember sitting in a restaurant in New York City, he said to me, "All right, present it to me, sell it to me, which one are we using?" And I responded the same way for a handful of items on his end. And if you didn't have conviction in the product or you stumbled your words, we had to look for something different, right? We had to fall in love with what we were using because we're going to be with it every day. Most advisors, especially the ones that launch an RIA, recognize the amount of hours and time they put into this. You got to love what you're doing, because it's a ton.

Louis Diamond:

Absolutely.

Louis Diamond:

So, by all metrics, Revolve has grown considerably since launching in 2017 with about 300 million in assets. Today you're over 700 million according to what would be your updated ADV. Can I ask you a series of questions about that growth because I think anyone would love to know the playbook for how that happened? Is that all right?

Dan Katz:

Absolutely.

Louis Diamond:

Perfect. So I guess that's the first question, what's been Revolve's playbook for growth aside from markets cooperating for the most part?

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A conversation with Dan Katz, Managing Partner, Revolve Wealth Partners.

Dan Katz:

I think the easiest and the hardest answer to that question has to be people. We are so fortunate to have incredible, incredible people working with us on a day-to-day basis that really allow Michael and I and the rest of the team to do what it is that they do very well. In addition to that, as we introduce ourselves to new folks that are potential clients, the culture of our firm very much shows, and I think that's what clients are buying. End of the day, the actual product is all commoditized. The insurance product, the investment product, the lending product, you can get it anywhere. So they're buying the team, they're buying the culture, they're buying the experience. And so, we've relied on really taking a team approach as we look to grow our business. We've relied on a series of really strategic processes to reduce the friction that existing clients and future clients go through to work with us or to meet us. I'll say luck, but we've been lucky that the folks that have worked with us and like what we do have shared with other people what it is that they like about what we do and then our contact information. And that's been wonderful. So I would say it's really people and culture which has been the driving force in how we're able to do what we've done.

Louis Diamond:

One of your growth metrics is employee head count. I think you said you had about five members of your team at Oppenheimer and I think in excess of 16 or 17 today. So huge increase in head count, of course, comes with the expense. But I'm curious, what sorts of roles do these new hirers have? Did you hire a bunch of new advisors? Is it specialist roles? Is it administrative? How does the organization break down?

Dan Katz:

We only have four truly, solely, dedicated folks to client-facing roles. The thought process there is if we're going to scale, if we're going to be efficient, let's have our planners really incredibly planning. Let's have our business solutions folks really good at those business solutions. Let's have our ops team and our onboarding team be absolutely experts, incredible, white-glove-service type approach to just doing that. And so, when a client comes on as a client, from the minute they have an introductory meeting through the onboarding process through the first year of working together, we know that that has to be an absolutely incredible experience. And some of that incredible experience is based on the fact that there's a full team approach on every client. So Michael and I say, "At Revolve, we have one client base." We're extremely collaborative here. I might miss something, but one of my colleagues won't. So we try to work with every client truly from a team approach based.

Dan Katz:

The other thing is there's no single points of failure. I can go on vacation and know that if a client has a question there was someone else on my team that were on those previous calls, that were in those internal strategy sessions, that were helping me build the portfolio, which I think is critically important.

And then on the investment side, we've got a wonderful investment committee that's really working diligently making sure the portfolios are in line, tax strategies are in place, and that's really given a client this very much broad and deep experience without having each advisor have to do everything.

Louis Diamond:

Right. Which I think is the key. It's similar to what you're saying with your unique relationship with Michael, is there's trust that you each are good at some things, not the best at others, and that's the way you assembled your team. I think it's very smart to have one cohesive client base. Not every firm does that, and that's a personal decision, but for multiple fail states, as you said, for a consistent client experience, it makes sense that everyone's rowing in the same direction. I see why you've been able to grow very quickly.

Louis Diamond:

One of the things you mentioned I think is probably part of this answer, you were talking about the business solutions group. So I'm curious, what either additional services or things you've been able to do for clients as an RIA differently than what you could have done at Oppenheimer has contributed to your growth?

Dan Katz:

A lot of the work we do on the business solution side is really directed towards one of the two segments of the work we do. Most of our clients are either tech executives or business owners, and obviously, so many multi-generational business owners like we are. And so, so many of what they're looking to accomplish is through their business. So if we did not become experts in the retirement plan solutions, in some of the other HR functions to either be actually a provider or just to be a sounding board, a place of guidance, we would be doing our clients a disservice.

Dan Katz:

Business owners make millions of decisions throughout the course of their entire business, and if we can be there as an advisor to them and say, "Hey, either we've done it before, or we've guided a client through that before, let us help you make a really good decision here," we're just continuously adding value. And then, obviously, all the tax benefits of retirement plan solutions. When we talk about business solutions, we talk about so much clients of ours getting paid in stock and understanding all that that has to offer. Obviously, clients are selling their businesses, what do those exits look like? Real estate clients are selling their assets, what does the disposition look like? So we can continue to dive deeper and deeper with leveraging the strength of our team. And so, we can continue, as I said it earlier, to be broad and deep and really cater to our clients and just be great advisors.

Louis Diamond:

These are things that you would not have been able to do at Oppenheimer?

Dan Katz:

I think there's some limitations at a wirehouse where you don't have the flexibility to bring in the outside resources that we have today. I think there's collaborations we've had now with accountants and attorneys that would've been looked not so positively from a wirehouse firm because it was not under their umbrella. For example, so many clients are working through whether it be backdoor Roth contributions or mega backdoor Roths or employee stock purchase plan. And so, our thought process is, "Hey, a lot of times we're having clients actually move their IRAs into their 401(k)s just so we can accomplish some of these strategies," that would've looked negatively upon at a wirehouse. They're just trying to collect all the assets they can and manage them for a fee.

Dan Katz:

And so things like that, real estate disposition, there's no product on a lot of those platforms that have solutions there, but we can be advisors to our clients, working them through these different situations. In addition, some of the technology that we have here as an RIA allows us to view some of the client's assets. There are issues, there are employee stock purchase plans. We didn't have quite that access when we were at a wirehouse firm where we can really advise on a lot of that and help the client make really good decisions. And so, by being little bit more open, allowing us to bring in a little bit more of what's going on in the client's lives, we give a better solution.

Louis Diamond:

Well said. Are there any gaps between the resources or capabilities you have today versus when you're at Oppenheimer or even before that at UBS?

Dan Katz:

I really get asked this question a lot, and I was asked this question a ton early on in our launch. And so far, I think it's the opposite. I think you actually have more resources being an independent firm. Great example, if I'm in the process of helping a client sell a business when we were at Oppenheimer or UBS, you almost had to funnel them through those banking channels. Now we can run an entire process where we bring in as many outside potential parties as possible. That complete, open architecture really allows us to give the client choice and optionality, which when you're a business owner and you've spent your whole life working on something and there's a potential exit in the future, it's pretty nerve-wracking. And so, to have options and to have choice, I think is really important. So far, we have yet to feel any situation where we weren't able to get just as good if not most of the time quite superior experience through our open architecture platform than we would've at one of those previous firms.

Louis Diamond:

Perfect, that is a very tangible example. So last two questions for you. This, I think, is something you're excited to talk about, it's the ways that as an RIA you can grow inorganically. I know growing through acquisition is a major part of Revolve's strategy. That's the first question. And then the second one is a 1099 or kind of affiliate solution that you're working on. So let's start on the M&A side. What's your strategy for going after acquisitions, and what's the pitch for someone to sell to you?

Dan Katz:

I think the best thing we can lead with is we've done it before, right? We transitioned my dad's practice. We transitioned him into babysitting and enjoying vacations and enjoying my mom, et cetera, and his family. And so, we've done it before, and I think there's a lot of firms out there that would love to acquire. And yeah, they'll probably make the financial component work, but we sit in a position where we know that we've recognized both the financial component, but we've also recognized the emotional component. And so, we feel like we're very much in a great position to continue to grow our business inorganically through acquisitions of folks like where my dad was five years ago and worked through that.

Dan Katz:

The other component is we very much feel like there's a lot of great advisors out there, younger advisors, that really don't have the support to be successful, but they might be fantastic advisors. They might be great at managing relationships. They might be great at managing money, but they can't collect assets. And so, for us, we would love to acquire some of those smaller advisors as well as those larger advisors and create a home where they can get support from our investment team, from our business solutions, from Michael and I, from our ops team, really to help them grow and build their business and take off their plate the things that they're not good at. We'll call it that barbell approach, especially now with advisors retiring, and we know there's a big transition, they've been talking about it for 10 years, maybe even longer, but eventually I don't think 90-year-old advisors are going to still be doing it nor I think their clients are going to want to be with them if there's no really good transition in place. We've done it both on the financial side and the emotional side, and so we're excited to keep doing that for other folks and other people.

Louis Diamond:

Last question. One of the benefits of independence is flexibility in many areas, but in how you onboard advisors. So having the option of having independent contractors on your platform or acquiring or partnering with people as W-2s or offering equity. I know from a previous conversation with you that something you're looking at is starting a 1099 business where advisors can leverage Revolve's infrastructure and expertise but not necessarily sell the practice through Revolve. Can you talk about this and what led you to want to offer a solution to the marketplace like this?

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Dan Katz:

This really came about after we spent two years diligencing the launch of our firm. We recognized, "Hey, we've just spent two years understanding all the players in the space. We spent two years understanding all the technology that's out there in the space. We spent two years getting educated on the terminology and how to do it, X, Y, and Z." And we felt, "Hey, we should be able to deliver that service to a firm or to an individual that doesn't want to do that legwork but also doesn't want to get wrapped up in a bigger conglomerate and then just get swallowed and become a number. And so, we're working on a platform now where it's really a situation where the advisor could lean on our resources, lean on our ops team, our investment committee, lean on our planning approach, lean on some of our relationships, really to deliver to their clients the ability to scale... or rather to deliver to them the ability to scale their business and grow their business, and then from their clientele really deliver a superior product, the feeling of a significantly larger firm but at the individual advisor level. So it's something we're really excited about. We think that service will definitely help a lot of advisors find a ton of success.

Louis Diamond:

Interesting. And the advisors can have their own brand and it's their business, they're paying you a fee?

Dan Katz:

That's exactly right. The interesting thing is if we can't continue to add value, then they can go and do what they want. And that's been, as we looked to transition, one of the things that we heard a lot from some of those transition folks was the initial was great, but the value after that has waned, and our thought process is, "Why don't we create a platform where we can be plugged in for advisors to take advantage of what we're really good at, let them do what they're really good at, and continue to grow and focus and build their business. And then eventually if they decide in 10 years or whatever that we're not adding value, or we're not doing good job, they can go do what they want."

Louis Diamond:

Yeah, I think it's brilliant, and it's a good service for the entire community because you can shortcut all the work that you did and create a mutually beneficial relationship.

Louis Diamond:

Dan, that's it for today, you've been generous with your time. Thank you so much for joining us, talking about your family business dynamics, how you and Michael built Revolve, what's driven your growth. Really appreciate your wisdom and your transparency today.

Dan Katz:

Of course, happy to do it. Thank you for having me, and keep up the great work.

Mindy Diamond:

As advisors who worked with many other multi-generational business owners, Dan and Michael came to a realization that to serve these clients authentically and to the best of their abilities meant making entrepreneurial leap. And in doing so, they found they could achieve that and more, including identifying a community of like-minded independent advisors who are ready and willing to share ideas and fill the gap of peer collaboration they found was missing in the wirehouse world they left behind.

Mindy Diamond:

I thank you for listening, and I encourage you to visit our website, diamond-consultants.com, and click on the Tools and Resources link for valuable content. You'll also find a link to subscribe for regular updates to the series. And if you're not a recipient of our weekly email, Perspectives For Advisors, click on the Articles link to browse recent topics. These written pieces are an ideal way to stay informed about what's going on in the wealth management space without expending the energy that full-on exploration requires. Feel free to email or call me if you have specific questions. I can be reached by cell at (973) 476 8578 or by email at mdiamond@diamond-consultants.com.

Mindy Diamond:

Please note that all requests are handled with complete discretion and confidentiality, and keep in mind that our services are available without cost to the advisor. You can see our website for more information. And again, if you enjoyed this episode, feel free to share it with a colleague who might benefit from its content. If you're listening on the Apple Podcast app, I'd be grateful if you gave it a star rating and a review. That will let other advisor know it's a show worth their time to listen to. This is Mindy Diamond on Independence.